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## NEWS RELEASE

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### **PSC ORDERS KENTUCKY-AMERICAN WATER TO REDUCE FEE** *Utility's customers to be reimbursed \$500,000 for excess Kentucky River withdrawal charges*

FRANKFORT, Ky. (Feb. 12, 2007) – The Kentucky Public Service Commission (PSC) today ordered Kentucky-American Water Co. to change the way it passes on to customers the fee it pays for withdrawing water from the Kentucky River.

From 2002 through 2005, the company charged customers \$502,571.58 more than it paid in fees to the Kentucky River Authority (KRA), which maintains the locks and dams that stabilize water levels and allow the river to serve as a steady source of water.

The overcharge will be returned to customers over the next 12 months. Kentucky-American will lower the fee, currently about 5.5 cents per 1,000 gallons, to 0.113 cents per 1,000 gallons until March 31, 2008. The average residential customer using 5,000 gallons per month will pay about \$3.10 less for water over the next year as a result of the adjustment.

In order to prevent future accumulation of overcharges, the PSC ordered Kentucky-American to henceforth adjust the fee on an annual basis, to reflect changes in the amount it pays the KRA.

In today's order, the PSC noted that Kentucky-American had not adjusted the fee for five years, despite a PSC requirement that it do so except in the cases of "immaterial" discrepancies between the amount paid to the KRA and the amount collected from customers. Kentucky-American did not submit a request to the PSC to change the fee until last year, but the company conceded that at least three adjustments have been required since 2001.

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“Kentucky-American’s failure to make these adjustments strongly suggests the need for greater supervision of its assessment and collection of the KRA withdrawal fee,” the PSC said in ordering the annual adjustment.

The PSC also noted that the fees paid by Kentucky-American to the KRA have remained relatively stable for a number of years. Therefore, the possibility of incorporating the fee into Kentucky-American’s general rates, rather than allowing it continue as a separate item, will be considered whenever the company next applies for a general rate adjustment.

Today’s order and related documents are available on the PSC Web site, [psc.ky.gov](http://psc.ky.gov). The case number is 2006-00154.

The PSC is an agency within the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the Commonwealth of Kentucky and has approximately 110 employees.

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